

TOWNSHIP OF HORTON
OGEMAW COUNTY, MICHIGAN

REPORT ON FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2008

Auditing Procedures Report

Instructions and MuniCodes

*=Required Fields

Reset Form

Issued under Public Act 2 of 1968, as amended. (V1.08)

Unit Name* Township of Horton	County* OGEMAW	Type* TOWNSHIP	MuniCode*
Opinion Date-Use Calendar* Dec 23, 2008	Audit Submitted-Use Calendar* Jan 2, 2009	Fiscal Year End Month* 03	Fiscal Year* 2008

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No."

<input checked="" type="checkbox"/> ?	1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input checked="" type="checkbox"/> ?	2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
<input checked="" type="checkbox"/> ?	3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input checked="" type="checkbox"/> ?	4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
<input checked="" type="checkbox"/> ?	5. Did the local unit adopt a budget for all required funds?
<input checked="" type="checkbox"/> ?	6. Was a public hearing on the budget held in accordance with State statute?
<input checked="" type="checkbox"/> ?	7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input checked="" type="checkbox"/> ?	8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
<input checked="" type="checkbox"/> ?	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input checked="" type="checkbox"/> ?	10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
<input checked="" type="checkbox"/> ?	11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input checked="" type="checkbox"/> ?	12. Is the local unit free of repeated reported deficiencies from previous years?
<input checked="" type="checkbox"/> ?	13. Is the audit opinion unqualified?
	14. If not, what type of opinion is it? NA
<input checked="" type="checkbox"/> ?	15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
<input checked="" type="checkbox"/> ?	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input checked="" type="checkbox"/> ?	17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
<input type="checkbox"/> ?	18. Are there reported deficiencies?
<input checked="" type="checkbox"/>	19. If so, was it attached to the audit report?

General Fund Revenue:	<input type="checkbox"/> \$ 133,227.00
General Fund Expenditure:	<input type="checkbox"/> \$ 147,690.00
Major Fund Deficit Amount:	\$ 0.00

General Fund Balance:	<input type="checkbox"/> \$ 283,808.00
Governmental Activities Long-Term Debt (see instructions):	<input type="checkbox"/>

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (reported deviations).

CPA (First Name)* Barry	Last Name* Gaudette	Ten Digit License Number* 1101011050		
CPA Street Address* 731 S. Garfield Avenue	City* Traverse City	State* MI	Zip Code* 49686	Telephone* +1 (231) 946-8930
CPA Firm Name* Barry E. Gaudette, CPA, PC	Unit's Street Address* P.O. Box 68	Unit's City* West Branch	Unit's Zip* 48661	

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Township of Horton
Organization
March 31, 2008

Township Officials

Karen Michael	Supervisor
Patricia Rohrer	Clerk
Jerry Wolf	Treasurer
Jerry Lehman	Trustee
Alfred Zettel	Trustee

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Members of the Township Board
Township of Horton
Ogemaw County, Michigan

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Horton, Michigan, as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township of Horton, Michigan's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Horton, Michigan, as of March 31, 2008, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Township of Horton
Independent Auditor's Report
Page Two

The budgetary comparison information on pages 22 through 23, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

The financial statements referred to above do not include the Management Discussion and Analysis, which is required supplementary information and should be included in order to conform with accounting principles generally accepted in the United States of America.

Sony Standish, CPA, PC

December 23, 2008

FINANCIAL STATEMENTS

Township of Horton
Statement of Net Assets
March 31, 2008

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 51,589
Certificate of deposits	205,833
Taxes receivable	4,767
Prepaid insurance	1,311
Due from other funds	34,276
Capital assets (net of accumulated depreciation):	
Township hall	46,829
Buildings & improvements	26,340
Equipment	<u>1,956</u>
Total Assets	372,901
 LIABILITIES	
Accounts payable	<u>13,968</u>
 NET ASSETS	
Unrestricted	<u>358,933</u>
Total net assets	<u><u>\$ 358,933</u></u>

See notes to financial statements

Township of Horton
Statement of Activities
For The Year Ended March 31, 2008

		<u>Program Revenues</u>		
<u>Programs</u>	<u>Expenses</u>	<u>Fees, Charges for Services</u>	<u>Operating Grants and Contrib.'s</u>	<u>Capital Grants and Contrib.'s</u>
Governmental activities:				
Legislative:				
Township board	\$ 13,368	\$	\$	\$
General Government:				
Supervisor	9,090			
Elections	1,631		1,150	
Clerk	8,391			
Assessor	11,784			
Board of review	1,317			
Treasurer	10,672			
Township hall	21,979			
Public Safety:				
Fire	21,908	2,122		
Public Works:				
Roads	15,821		2,218	
Street lighting	1,451			
Cleanup/recycling	2,247			
Other:				
Pension	2,902			
Payroll taxes	1,032			
Workmen's compensation	887			
Depreciation	<u>3,464</u>	<u> </u>	<u> </u>	<u> </u>
Total governmental activities	<u>\$127,944</u>	<u>\$ 2,122</u>	<u>\$ 3,368</u>	<u>\$</u>

General revenues:

Property taxes
State aid
Interest earnings
Rents
Miscellaneous

Total general revenues

Change in net assets

Net assets - beginning

Net assets - ending

See notes to financial statements

Net (Expense) Revenue and
Changes in Net Assets

Governmental
Activities

\$ (13,368)

(9,090)

(481)

(8,391)

(11,784)

(1,317)

(10,672)

(21,979)

(19,786)

(13,603)

(1,451)

(2,247)

(2,902)

(1,032)

(887)

(3,464)

(122,454)

34,769

73,058

12,526

3,860

3,524

127,737

5,283

353,650

\$ 358,933

Township of Horton
Balance Sheet
Governmental Funds
March 31, 2008

	<u>General Fund</u>
ASSETS	
Cash and cash equivalents	\$ 51,589
Certificate of deposits	205,833
Taxes receivable	4,767
Prepaid insurance	1,311
Due from other funds	<u>34,276</u>
Total assets	<u>\$ 297,776</u>
LIABILITIES AND FUND BALANCE	
Liabilities:	
Accounts payable	<u>\$ 13,968</u>
Total liabilities	<u>13,968</u>
Fund balance:	
Unreserved:	
General fund	<u>283,808</u>
Total fund balance	<u>283,808</u>
Total liabilities and fund balance	<u>\$ 297,776</u>

See notes to financial statements

Township of Horton
Reconciliation of the Governmental Funds
Balance Sheet
With the Statement of Net Assets
March 31, 2008

Amounts reported for governmental activities in the
statement of net assets are different because:

Total Fund Balance - Governmental Funds	\$ 283,808
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Capital assets used in governmental activities
are not financial resources and therefore are
not reported as assets in governmental funds:

Cost of capital assets	143,254
Accumulated depreciation	<u>(68,129)</u>

Total Net Assets - Governmental Activities	<u>\$ 358,933</u>
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See notes to financial statements

Township of Horton
Statement of Revenues, Expenditures, and Changes
In Fund Balance
Governmental Funds
For The Year Ended March 31, 2008

	<u>General Fund</u>
REVENUES	
Taxes & administration fees	\$ 34,769
Intergovernmental revenue from state:	
State revenue sharing	68,594
Swamp land taxes	4,464
Metro Act	2,218
Charges for services:	
Fire runs	2,122
Interest earnings	12,526
Rents	3,860
Other:	
Miscellaneous	3,524
Reimbursements	<u>1,150</u>
Total revenues	<u>133,227</u>
EXPENDITURES	
Legislative	13,368
General government	64,864
Public safety	21,908
Public works	19,519
Other	<u>28,031</u>
Total expenditures	<u>147,690</u>
Net change in fund balance	(14,463)
Fund balance - beginning of year	<u>298,271</u>
Fund balance - end of year	<u><u>\$ 283,808</u></u>

See notes to financial statements

Township of Horton
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balance of Governmental Funds
To the Statement of Activities
For The Year Ended March 31, 2008

Amounts reported for governmental activities in the
statement of activities are different because:

Total net change in fund balance - governmental funds	\$(14,463)
--	-------------

Governmental funds report capital outlays
as expenditures. However, in the statement
of activities the cost of those assets is
allocated over their estimated useful lives
and reported as depreciation expense. This
is the amount by which capital outlays
exceeded (did not exceed) depreciation in
the current period.

Capital outlay	23,210
Depreciation expense	<u>(3,464)</u>

Change in net assets of governmental activities	<u><u>\$ 5,283</u></u>
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See notes to financial statements

Township of Horton
Statement of Fiduciary Net Assets
Fiduciary Fund
March 31, 2008

	<u>Tax Collection Fund</u>
ASSETS	
Cash and cash equivalents	\$ 34,276
Total Assets	<u>34,276</u>
 LIABILITIES	
Due to other funds	<u>34,276</u>
 NET ASSETS	
Held in trust for other purposes	<u><u>\$</u></u>

See notes to financial statements

Township of Horton
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended March 31, 2008

	<u>Tax Collection Fund</u>
ADDITIONS	
Property tax collections and fees	\$ <u>802,923</u>
Total additions	<u>802,923</u>
DEDUCTIONS	
Transfer to General Fund	34,130
Payments to other governmental units	<u>768,793</u>
Total deductions	<u>802,923</u>
Changes in net assets	
Net assets - beginning	<u> </u>
Net assets - ending	<u><u>\$ </u></u>

See notes to financial statements

Township of Horton
Notes to Financial Statements
March 31, 2008

I: Summary of significant accounting policies

The financial statements of the Township of Horton (the Township) have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Township's accounting policies are described below.

A. Reporting entity

The Township is governed by an elected five-member board. The accompanying financial statements present the Township's operations for which the government is considered to be financially accountable. The Township has no component units and is not responsible for any jointly governed organizations.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Township. For the most part, the effect of the interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The Township has no business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from the goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The Township has no responsibility for any fiduciary funds. Major individual governmental funds are reported as separate columns

I. Summary of significant accounting policies (Continued)

B. Government-wide and fund financial statements (Continued)

in the financial statements.

C. Measurement focus, basis of accounting and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provided have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when a payment is due.

Property taxes, interest, and charges for services associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Township.

The Township property tax is levied each December 1st on the taxable valuation of property (as defined by State statutes) located in the Township as of the preceding December 31st. Real property taxes not collected as of March 1st are turned over to Ogemaw County, which advances the Township 100% for the delinquent taxes.

The 2007 real taxable valuation of the Township totaled \$31,638,035, on which ad valorem taxes levied consisted of .8040 mills for Township operating purposes. This amount is recognized in the General Fund as current tax revenue as well as administrative fees of \$8,893 to collect the taxes and

I. Summary of significant accounting policies (Continued)

C. Measurement focus, basis of accounting and financial statement presentation (Continued)

applicable interest.

The Township reports the following major governmental funds:

The *general fund* is the Township's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund.

Additionally, the government reports the following fund types:

The *current tax collection fund* is an agency fund and is used to account for resources held by the Township in a purely custodial capacity. Money in this fund is from current tax collections. Timely distribution to the appropriate fund and local unit must be made in accordance with Section 43 of the General Property Tax Act.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

D. Assets, liabilities and net assets

1. Deposits and investments

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits, short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the Township to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, saving and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or Nation Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established

I. Summary of significant accounting policies (Continued)

D. Assets, liabilities and net assets (Continued)

1. Deposits and investments (Continued)

by not less than two standard rating services and which mature not more than 270 days after the date of purchase. The Township is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

The Township Board has designated three banks for the deposit of Township funds.

2. *Short-term interfund receivables/payable*

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet in the governmental fund financial statements.

3. *Receivables and payables*

All trade and property tax receivables are shown net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

4. *Inventories*

Inventories of supplies are considered to be immaterial and are not recorded.

5. *Prepaid items*

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

6. *Capital assets*

Capital assets, which include property, plant, and equipment are reported in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of two years. Such assets are recorded as historical cost or estimated historical cost if purchased or

I. Summary of significant accounting policies (Continued)

D. Assets, liabilities and net assets (Continued)

6. Capital assets (Continued)

constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Property and equipment of the Township is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Building	40
Building improvements	15-20
Equipment	5

7. Compensated absences

The Township does not have a compensated absence policy.

8. Long-term obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. The Township does not have any long-term debt.

9. Fund Balance

In the fund financial statements, the unreserved fund balances for governmental funds represent the amount available for budgeting future operations. The reserved fund balances for governmental funds represent the amount that has been legally identified for specific purposes or indicates that a component of assets does not constitute "available spending resources". The designated fund balances for governmental funds represent tentative plans for future use of financial resources.

10. Use of Estimates

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

II: Stewardship, compliance and accountability

A. Budgetary information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end.

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Supervisor submits to the Township Board a proposed budget for the fiscal year commencing on April 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth in the combined statement of revenues, expenditures and changes in fund balances - budget and actual - GAAP basis - general funds.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to April 1, the budget is legally adopted by the Township Board as a resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, or in excess of the amount appropriated.
4. The Supervisor is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the Township Board.
5. Formal budgetary integration is employed as a management control device during the year for the general fund.
6. The budget as presented, has not been amended. Supplemental appropriations were made during the year with the last one approved prior to April 1st.

II. Stewardship, compliance and accountability (Continued)

B. Excess of expenditures over appropriations

During the year ended March 31, 2008, expenditures exceeded appropriations in the following activities:

	Final <u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund:			
General Government:			
Board of review	\$ 550	\$ 1,317	\$ (767)
Treasurer	8,739	10,672	(1,933)
Township hall	16,075	21,979	(5,904)
Public safety:			
Fire	14,640	21,908	(7,268)
Public works:			
Street lighting	1,100	1,451	(351)
Cleanup/recycling		2,247	(2,247)
Other:			
Pension	1,850	2,902	(1,052)
Payroll taxes	500	1,032	(532)

These overexpenditures were funded by the available fund balance in the general fund.

III: Detail notes on transaction classes/accounts

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, revenues, and expenditures/expenses.

A. Cash and Investments

Deposits

The Township's policies regarding deposits of cash are discussed in Note 1. The table presented below is designed to disclose the level of custody credit risk assumed by the Township based upon how its deposits were insured or secured with collateral at March 31, 2008. The categories of credit risk are defined as follows:

Category 1: Insured by FDIC or collateralized with securities held by the Township (or public trust) or by its agent in its name.

Category 2: Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the Township's name.

III. Detail notes on transaction classes/accounts (Continued)

A. Cash and Investments (Continued)

Deposits (Continued)

Category 3: Uninsured and uncollateralized; or collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the Township's name; or collateralized with no written or approved collateral agreement.

	Total Bank Balance	<u>Custody</u> Category 1	<u>Credit Risk</u> Category 2	Category 3	Total Carrying Value
Demand deposits	\$ 43,643	\$ 43,643	\$	\$	\$ 42,457
Certificate of deposits	205,833	200,000	5,833		205,833
Money market	<u>43,408</u>	<u>43,408</u>			<u>43,408</u>
Total	<u>\$ 292,884</u>	<u>\$287,051</u>	<u>\$ 5,833</u>	<u>\$</u>	<u>\$ 291,698</u>

Investments

The Township does not have any investments.

A reconciliation of cash as shown on the statement of net assets follows:

Carrying amount of deposits:

General fund checking	\$ 8,181
General fund money market account	43,408
General fund certificate of deposits	205,833
Agency fund-tax collection checking	<u>34,276</u>
Total	<u>\$ 291,698</u>

Cash and cash equivalents:

Governmental funds	\$ 257,604
Governmental funds - checks written in excess of deposits	(182)
Agency fund	35,280
Agency fund - checks written in excess of deposits	<u>(1,004)</u>
Total	<u>\$ 291,698</u>

B. Receivables

The County of Ogemaw owes the Township delinquent real and personal taxes and administration fees of \$4,767.

III. Detail notes on transaction classes/accounts (Continued)

C. Capital assets

Capital asset activity for the year ended March 31, 2008 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets being depreciated:				
Township hall	\$ 114,152	\$	\$	\$ 114,152
Building & grounds improvements	5,892	21,037		26,929
Equipment		<u>2,173</u>		<u>2,173</u>
Subtotal	<u>120,044</u>	<u>23,210</u>		<u>143,254</u>
Less accumulated depreciation for:				
Township hall	(64,469)	(2,854)		(67,323)
Building & grounds Improvements	(196)	(393)		(589)
Equipment		<u>(217)</u>		<u>(217)</u>
Subtotal	<u>(64,665)</u>	<u>(3,464)</u>		<u>(68,129)</u>
Net capital assets being depreciated	<u>55,379</u>	<u>19,746</u>		<u>75,125</u>
Governmental activities capital assets-net of depreciation	<u>\$ 55,379</u>	<u>\$ 19,746</u>	<u>\$</u>	<u>\$ 75,125</u>

Depreciation expense was charged to functions/programs of the government as follows:

Governmental activities:	
General government	<u>\$3,464</u>
Total depreciation expense - governmental activities	<u>\$3,464</u>

IV. Other information

A: Risk management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and employee injuries (workers compensation). The Township has purchased commercial insurance for these types of claims. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

B: Pension plan

The Township began a money purchase pension plan is with Travelers Insurance Co. and began July 1, 1991. Pension expense for the fiscal year ended March 31, 2008, was \$2,902.

Required Supplementary Information

Township of Horton
General Fund
Statement of Revenues, Expenditures,
and Changes in Fund Balance
- Budget and Actual
For the Year Ended March 31, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with</u> <u>Final</u> <u>Budget</u> <u>Positive</u> <u>(Negative)</u>
REVENUES				
Taxes & adm. fees	\$ 37,138	\$ 37,138	\$ 34,769	\$ (2,369)
Intergovernmental				
revenue from state:				
State revenue				
sharing	70,349	70,349	68,594	(1,755)
Swamp land taxes	4,464	4,464	4,464	
Metro Act	3,180	3,180	2,218	(962)
Charges for services:				
Fire runs			2,122	2,122
Interest earnings	9,200	9,200	12,526	3,326
Rents	1,600	1,600	3,860	2,260
Other revenue:				
Miscellaneous			3,524	3,524
Reimbursements	<u>700</u>	<u>700</u>	<u>1,150</u>	<u>450</u>
Total revenues	<u>126,631</u>	<u>126,631</u>	<u>133,227</u>	<u>6,596</u>

Township of Horton
General Fund
Statement of Revenues, Expenditures,
and Changes in Fund Balance
- Budget and Actual
For the Year Ended March 31, 2008
(Continued)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with</u> <u>Final</u> <u>Budget</u> <u>Positive</u> <u>(Negative)</u>
EXPENDITURES				
Legislative:				
Township board	14,998	14,998	13,368	1,630
General government:				
Supervisor	9,184	9,184	9,090	94
Treasurer	8,739	8,739	10,672	(1,933)
Assessor	12,350	12,350	11,784	566
Clerk	8,455	8,455	8,391	64
Elections	3,100	3,100	1,631	1,469
Township hall	16,075	16,075	21,979	(5,904)
Board of review	550	550	1,317	(767)
Public safety:				
Fire	14,640	14,640	21,908	(7,268)
Public works:				
Roads	28,000	28,000	15,821	12,179
Street lighting	1,100	1,100	1,451	(351)
Cleanup/recycling			2,247	(2,247)
Other:				
Pension	1,850	1,850	2,902	(1,052)
Payroll taxes	500	500	1,032	(532)
Workmen's				
compensation	1,600	1,600	887	713
Capital outlay	<u>32,000</u>	<u>32,000</u>	<u>23,210</u>	<u>8,790</u>
Total				
expenditures	<u>153,141</u>	<u>153,141</u>	<u>147,690</u>	<u>5,451</u>
Net change in fund				
balance	(26,510)	(26,510)	(14,463)	12,047
Fund balance -				
beginning	<u>135,352</u>	<u>135,352</u>	<u>298,271</u>	<u>162,919</u>
Fund balance -				
ending	<u>\$108,842</u>	<u>\$ 108,842</u>	<u>\$283,808</u>	<u>\$ 174,966</u>

See notes to financial statements

COMMENTS AND RECOMMENDATIONS

Members of the Township Board
Township of Horton
West Branch, Michigan

My examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as I considered necessary in the circumstances.

Comments

The Township purchased Pontem software in October 2008. This software is designed for Governmental Accounting. It will force the Township to use governmental account numbers and will provide financial statements that compare budget to actual results on a monthly basis. It will also provide the Township a year to date general ledger. These are improvements to the Townships' accounting system and internal controls.

Recommendations

Tax Information

The Treasurer uses software that the County provides to record tax collections. The Treasurer should be saving the tax information a CD. I recommend that the Treasurer consider saving the tax information on a CD daily and store the CD in a safe location.

Travel Expense Reports

During the testing of expenditures I didn't notice a formal travel expense report being used. I recommend the Township adopt a travel expense report form to be used for mileage and expenses to be reimbursed.

Investment Policy

The Township probably adopted an investment policy in a prior year, but cannot locate it. I recommend the Township call the Michigan Township Association and obtain a "sample" investment policy and adopt it with any necessary modifications.

This letter supplements the information in the Financial Statements and Notes to Financial Statements. It is intended solely for the use of management, the Township Board, and the Michigan Department of Treasury and should not be used for any other purpose.

A handwritten signature in cursive script, reading "Gary E. Sandlett, RD, PC".

December 23, 2008